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SCHEDULES

SCHEDULE 23

Section 77.

SECURITIES: FURTHER PROVISIONS

PART I

GENERAL INTERPRETATION

Securities

- 1 (1) For the purposes of this Chapter " securities " does not include shares in a company but, subject to sub-paragraph (2) below, includes any loan stock or similar security—
- (a) whether of the Government of the United Kingdom, any other government, any public or local authority in the United Kingdom or elsewhere, or any company or other body, and
 - (b) whether or not secured, whether or not carrying a right to interest of a fixed amount or at a fixed rate per cent, of the nominal value of the securities, and whether or not in bearer form.
- (2) For the purposes of this Chapter " securities " does not include—
- (a) securities on which the whole of the return is a distribution by virtue of paragraph (d)(iv) of section 233(2) of the Taxes Act;
 - (b) national savings certificates (including Ulster savings certificates) ;
 - (c) war savings certificates ;
 - (d) certificates of deposit (which expression has here the same meaning as in section 55 of the Finance Act 1968);
 - (e) any security which fulfils the following conditions, namely, it is redeemable, the amount payable on its redemption exceeds its issue price, and no return other than the amount of that excess is payable on it.
- (3) For the purposes of this Chapter securities are of the same kind if they are treated as being of the same kind by the practice of a recognised stock exchange in the United Kingdom or elsewhere, or would be so treated if dealt with on such a stock exchange.

Transfers, holding etc.

- 2 (1) This paragraph applies for the purposes of this Chapter.
- (2) "Transfer", in relation to securities, means transfer by way of sale, exchange, gift or otherwise.
- (3) Where an agreement for the transfer of securities is made, they are transferred, and the person to whom they are agreed to be transferred becomes entitled to them, when the agreement is made and not on a later transfer made pursuant to the agreement.

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- (4) " Entitled", " transfer" and cognate expressions, except in sub-paragraph (3) above, shall be construed in accordance with that sub-paragraph.
- (5) A person holds securities at a particular time if he is entitled to them at the time.
- (6) A person holds securities on a day if he is entitled to them throughout the day, or he becomes and does not cease to be entitled to them on the day.
- (7) A person acquires securities when he becomes entitled to them.
- (8) Where—
 - (a) one individual holds securities at a particular time, and
 - (b) any interest on them would, if it became payable at that time, be treated for the purposes of the Tax Acts as part of another individual's income,
 then, for the purposes of the provisions mentioned in sub-paragraph (9) below, each of them shall be treated as holding at that time the securities which the other holds as well as those which he actually holds.
- (9) The provisions are—
 - (a) section 75(1)(b) of this Act,
 - (b) section 75(2)(b) of this Act, so far as relating to section 75(1)(b), and
 - (c) paragraph 5(2)(a) of Schedule 22 to this Act.
- (10) Where, in Scotland, two or more persons carry on a trade or business in partnership, any partnership dealings shall be treated as dealings by the partners and not by the firm as such and the partners as being entitled to securities held by the firm.

Interest and related expressions

- 3 (1) This paragraph applies for the purposes of this Chapter.
- (2) An interest payment day, in relation to securities, is a day on which interest on them is payable; and, in a case where a particular payment of interest may be made on one of a number of days, the interest is for the purposes of this sub-paragraph payable on the first of those days.
- (3) Subject to sub-paragraph (4) below, the following are interest periods in relation to securities—
 - (a) the period beginning with the day following that on which they are issued and ending with the first interest payment day to fall;
 - (b) the period beginning with the day following one interest payment day and ending with the next to fall.
- (4) A period which would (apart from this sub-paragraph) be an interest period exceeding 12 months (a long period) is not an interest period, but the following shall apply to it-
 - (a) the period of 12 months beginning with the day on which it begins is an interest period ;
 - (b) each successive period (if any) of 12 months falling within it is an interest period ;
 - (c) any period of it which remains after applying paragraphs (a) and (b) above is an interest period.

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- (5) Securities are transferred with accrued interest if they are transferred with the right to receive interest payable on—
- (a) the settlement day, if that is an interest payment day, or
 - (b) the next (or first) interest payment day to fall after the settlement day, in any other case,
- and they are transferred without accrued interest if they are transferred without that right.
- (6) The interest applicable to securities for an interest period is (subject to sub-paragraph (7) below) the interest payable on them on the interest payment day with which the period ends.
- (7) In the case of a period which is an interest period by virtue only of sub-paragraph (4) above or paragraph 26(3) below—
- (a) the interest applicable to securities for the period is the interest payable on them on the interest payment day with which the long or straddling period concerned ends, and
 - (b) section 73(8) of this Act shall have effect as if the references to the period were to the long or straddling period concerned.
- (8) "Interest" includes dividends and any other return (however described) except a return consisting of an amount by which the amount payable on a security's redemption exceeds its issue price.

Settlement day

- 4 (1) This paragraph has effect to determine, for the purposes of this Chapter, the settlement day in relation to a transfer of securities.
- (2) Where the securities are transferred in accordance with the rules of a recognised market the settlement day is the day on which the transferee agrees to settle or, if he may settle on one of a number of days, the day on which he settles; and, where they are transferred otherwise, sub-paragraphs (3) to (5) below apply.
- (3) Where the consideration for the transfer is money alone, and the transferee agrees to pay the whole of it on or before the next (or first) interest payment day to fall after an agreement for transfer is made, the settlement day is the day on which he agrees to make the payment or, if payment may be made on one of a number of days, or on a number of different days, the latest of them to fall.
- (4) Where there is no consideration for the transfer, or the transfer is a transfer by virtue of paragraph 7, 12, 13, 14 or 31 below, the settlement day is the day on which the securities are transferred.
- (5) In any other case, the settlement day is such day as an inspector decides ; and the jurisdiction of the General Commissioners or the Special Commissioners on any appeal shall include jurisdiction to review such a decision of the inspector.

Nominal value

- 5 For the purposes of this Chapter the nominal value of securities is—
- (a) where the interest on them is expressed to be payable by reference to a given value, that value, and

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- (b) in any other case, the price of the securities when they were issued.

PART II

SPECIAL CASES

Nominees and trustees

- 6 (1) Where securities are transferred by or to a person as nominee for another person, or as trustee for another person absolutely entitled as against the trustee, or for any person who would be so entitled but for being an infant or other person under disability, or for two or more persons who are or would be jointly so entitled, sections 73 and 75 of this Act apply as if references to the transferor or the transferee (as the case may be) were to the person or persons for whom the nominee or trustee disposes or acquires.
- (2) It is hereby declared that for the purposes of sub-paragraph (1) above—
- (a) securities are transferred by a person as trustee for another person absolutely entitled as against the trustee if that other person has immediately before the transfer the exclusive right to direct how the securities shall be dealt with, subject only to satisfying any outstanding charge, lien or other right of the trustee to resort to the securities for payment of duty, taxes, costs or other outgoings, and
 - (b) securities are transferred to a person as trustee for another person so entitled if that other person has that right immediately after the transfer.
- 7 (1) Where a person who is entitled to securities becomes trustee of them, he shall be treated for the purposes of this Chapter as transferring them (in a capacity other than trustee) to himself (in his capacity as trustee), or to himself and any other trustees, at the time he becomes trustee.
- (2) The securities shall be treated as transferred with accrued interest if the person was entitled to receive in respect of them interest payable on—
- (a) the day the transfer is treated as made, if that is an interest payment day, or
 - (b) the next (or first) interest payment day to fall after that day, in any other case,
- and they shall be treated as transferred without accrued interest if he was not so entitled.
- 8 (1) Annual profits or gains which by virtue of any of the provisions mentioned in sub-paragraph (2) below are treated as received in a year of assessment by trustees shall be chargeable to income tax at a rate equal to the sum of the basic rate and the additional rate for that year.
- (2) The provisions are—
- (a) section 74(2) of this Act,
 - (b) paragraph 2(2) or (3) of Schedule 22 to this Act, and
 - (c) paragraph 15(3) below.
- (3) In section 17 of the Finance Act 1973 (payments under discretionary trusts) in subsection (3) (amounts to be set against tax assessable on trustees in connection with such payments) at the end of paragraph (f) there shall be inserted “and
- (g) the amount of any tax on annual profits or gains treated as received by trustees by virtue of section 74(2) of the Finance Act 1985,

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paragraph 2(2) or (3) of Schedule 22 to that Act or paragraph 15(3) of Schedule 23 to that Act (securities) and charged at a rate equal to the sum of the basic rate and the additional rate by virtue of paragraph 8(1) of Schedule 23 to that Act;”.

- 9 (1) Sub-paragraph (2) below applies where—
- (a) a trustee of a settlement is treated as receiving annual profits or gains under section 74(2) of this Act, or
 - (b) a trustee of a settlement who is resident or domiciled outside the United Kingdom throughout any chargeable period in which an interest period (or part of it) falls would, at the end of the interest period, have been treated under section 74(2) of this Act as receiving annual profits or gains or annual profits or gains of a greater amount if he had been resident or domiciled in the United Kingdom during a part of each such chargeable period.
- (2) Chapters II to IV of Part XVI of the Taxes Act (settlements) shall have effect as if the amount which the trustee is or would be treated as receiving were income (within Chapter II) or income arising under the settlement (within Chapter III or IV).
- (3) Sub-paragraph (4) below applies where income of a trustee of a settlement who is resident or domiciled outside the United Kingdom throughout any chargeable period in which an interest period (or part of it) falls consists of interest which falls due at the end of the interest period and which would have been treated under section 74(5) of this Act as reduced by an allowance or an allowance of a greater amount if he had been resident or domiciled in the United Kingdom during a part of each such chargeable period.
- (4) For the purposes of Chapters II to IV of Part XVI of the Taxes Act, the interest shall be treated as being reduced by the amount of the allowance or by the additional amount (as the case may be).
- (5) In this paragraph—
- (a) "settlement" means settlement within the meaning of Chapter II, III or IV of Part XVI of the Taxes Act (as the case may be), and
 - (b) references to a trustee of a settlement are, where there is no trustee of the settlement, to any person entitled to securities comprised in the settlement.

Foreign currency

- 10 (1) Sub-paragraphs (2) to (4) below apply where the interest on securities is payable in a currency other than sterling.
- (2) For the purposes of section 73(2) of this Act the accrued amount is to be determined as follows—
- (a) if section 73(4)(a) applies and the sterling equivalent of the amount of gross interest there mentioned is shown in an agreement for transfer, the accrued amount is the sterling equivalent so shown;
 - (b) if section 73(4)(a) applies but sub-paragraph (a) above does not, or if section 73(4)(b) applies, the accrued amount is the sterling equivalent on the settlement day of the amount found by virtue of section 73(4)(a) or (b) (as the case may be).
- (3) For the purposes of section 73(3) of this Act the rebate amount is to be determined as follows—

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- (a) if section 73(5)(a) applies and the sterling equivalent of the amount of gross interest there mentioned is shown in an agreement for transfer, the rebate amount is the sterling equivalent so shown;
 - (b) if section 73(5)(a) applies but sub-paragraph (a) above does not, or if section 73(5)(b) applies, the rebate amount is the sterling equivalent on the settlement day of the amount found by virtue of section 73(5)(a) or (b) (as the case may be).
- (4) For the purposes of paragraph 2(3) of Schedule 22 to this Act, the amount of interest! received on any day shall be taken to be the sterling equivalent on that day of the amount actually received.
- (5) Where securities are denominated in a currency other than sterling the amount of the deemed interest for the purposes of paragraph 2(2) and (3) of Schedule 22 to this Act is the sterling equivalent on the second date (within the meaning of that Schedule) of the deemed interest.
- (6) Where, apart from this sub-paragraph, the nominal value of securities would be a value (the foreign value) expressed in a currency other than sterling, then, for the purposes of section 75 of this Act and Schedule 22 to this Act, their nominal value on a particular day is the sterling equivalent on that day of the foreign value.
- (7) For the purposes of sub-paragraphs (2)(b), (3)(b) and (4) to (6) above, the sterling equivalent of an amount or value on a particular day is the sterling equivalent calculated by reference to the London closing rate of exchange for that day.

Foreign securities: delayed remittances

- 11 (1) This paragraph applies where in an interest period a person is treated as entitled to a sum or sums under section 73(2)(a) of this Act in respect of a transfer or transfers of securities of a particular kind which are situated outside the United Kingdom.
- (2) Subject to sub-paragraph (3) below, the amount of any annual profits or gains which the person is treated under section 74 of this Act as receiving on the day the period ends in respect of securities of that kind shall be reduced—
- (a) if the amount of the sum or aggregate of the sums exceeds the amount of the profits or gains, to nil, or
 - (b) in any other case, by the amount of the sum or aggregate.
- (3) No reduction shall be made unless the person makes a claim and shows that the conditions in sub-paragraph (5) below are, so far as applicable, satisfied in the chargeable period in which the profits or gains are treated as received.
- (4) The claimant (or his personal representatives) shall be charged to tax under Case VI of Schedule D on the amount of the reduction for the chargeable period in which the conditions in sub-paragraph (5) below cease to be satisfied.
- (5) The conditions are—
- (a) that the claimant was unable to remit the proceeds of the transfer or transfers to the United Kingdom,
 - (b) that the inability was due to the laws of the territory in which the securities are situated, or to the executive action of its government, or to the impossibility of obtaining foreign currency in that territory, and

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- (c) that the inability was not due to any want of reasonable endeavours on the part of the claimant.
- (6) No claim under this paragraph shall be made in respect of a transfer more than six years after the end of the interest period in which the transfer occurred.
- (7) The personal representatives of a deceased person may make any claim which he might have made under this paragraph if he had not died.
- (8) For the purposes of this paragraph the place where securities are situated shall be determined in accordance with section 18(4) of the Capital Gains Tax Act 1979.

Death

- 12 (1) Where an individual who is entitled to securities dies, he shall be treated for the purposes of this Chapter as transferring the securities to his personal representatives immediately before his death.
- (2) The securities shall be treated as transferred with accrued interest if the deceased was entitled to receive in respect of them interest payable on—
 - (a) the day of death, if that is an interest payment day, or
 - (b) the next (or first) interest payment day to fall after the day of death, in any other case,and they shall be treated as transferred without accrued interest if he was not so entitled.
- (3) Where the securities are transferred with accrued interest by the personal representatives to a legatee in the interest period in which the individual died—
 - (a) section 73 of this Act shall not apply to the transfer, and
 - (b) the transfer of the securities which the individual is treated as making by virtue of sub-paragraph (1) above shall be treated as made to the legatee (and not to the personal representatives).
- (4) In sub-paragraph (3) above "legatee" includes any person taking (whether beneficially or as trustee) under a testamentary disposition or on an intestacy or partial intestacy, including any person taking by virtue of an appropriation by the personal representatives in or towards satisfaction of a legacy or other interest or share in the deceased's property.
- (5) In the case of an individual who dies in an interest period, section 74(2) of this Act shall have effect as if the reference to the day the period ends were to the day he dies.

Trading stock: appropriations

- 13 (1) Where securities acquired by a person otherwise than as trading stock of a trade carried on by him are appropriated by him for the purposes of the trade as trading stock (whether on the commencement of the trade or otherwise), he shall be treated for the purposes of this Chapter as transferring them otherwise than in the course of the trade and re-acquiring them in the course of the trade on the day the appropriation is made.
- (2) Where securities forming part of the trading stock of a person's trade are appropriated by him for any other purpose, or are retained by him on his ceasing to carry on the trade, he shall be treated for the purposes of this Chapter as transferring them in the

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course of the trade and re-acquiring them otherwise than in the course of the trade on the day the appropriation is made or (as the case may be) he ceases to carry on the trade.

- (3) Where sub-paragraph (1) or (2) above applies, the securities shall be treated as transferred with accrued interest if the person was entitled to receive in respect of them interest payable on—
- (a) the day the transfer is treated as made, if that is an interest payment day, or
 - (b) the next (or first) interest payment day to fall after that day, in any other case,
- and they shall be treated as transferred without accrued interest if he was not so entitled.

Conversions

- 14 (1) Where there is a conversion of securities the person who was entitled to them immediately before the conversion shall be treated for the purposes of this Chapter as transferring them on the day of the conversion (if there is no actual transfer).
- (2) The transfer shall be treated as made with accrued interest if the person was entitled to receive in respect of the securities interest payable on—
- (a) the day of the conversion, if that is an interest payment day, or
 - (b) the next (or first) interest payment day to fall after the day of the conversion, in any other case,
- and they shall be treated as transferred without accrued interest if he was not so entitled.
- (3) For the purposes of this Chapter the interest period in which the conversion is made shall be treated as ending on the day on which it would have ended had the conversion not been made.
- (4) In this paragraph " conversion " means conversion within the meaning of section 82 of the Capital Gains Tax Act 1979.

Transfer of unrealised interest

- 15 (1) This paragraph applies where securities are transferred on or after 28th February 1986 with the right to receive interest (unrealised interest) payable on them on an interest payment day falling before the settlement day.
- (2) Where the settlement day falls within an interest period, section 74 of this Act shall (subject to sub-paragraph (5) below) apply as if the transferor were entitled under section 73 to a sum on them in the period of an amount equal to the unrealised interest (in addition to any other sum to which he may be treated as so entitled).
- (3) Where the settlement day falls after the end of the last interest period in relation to the securities, the transferor shall be treated as receiving on the settlement day annual profits or gains of an amount equal to the unrealised interest; and the profits or gains shall be chargeable to tax under Case VT of Schedule D for the chargeable period in which they are treated as received.
- (4) Where the transferee receives the unrealised interest, and but for this sub-paragraph it would be taken into account in computing tax charged for the chargeable period in which the interest is received, it shall for the purposes of the Tax Acts be left out of account.

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- (5) Section 75(1) of this Act applies for the purposes of this paragraph as if the reference to section 73(2)(a) or (3)(a) were to subparagraph (2) or (3) above and references to the year of assessment in which the interest period ends were to the year in which the settlement day falls.
- (6) Paragraph 6 above applies for the purposes of this paragraph as if the reference to section 73 were to this paragraph.
- (7) Where sub-paragraph (2) or (3) above applies, section 31 of the Capital Gains Tax Act 1979 shall be disregarded in computing for capital gains tax purposes the gain accruing on the disposal concerned, but an amount equal to the amount of the unrealised interest shall be excluded from the consideration mentioned in paragraph 33(4) below.
- (8) Where the unrealised interest is payable in a currency other than sterling its amount is for the purposes of this paragraph the sterling equivalent on the settlement day of the amount it would be apart from this sub-paragraph ; and for this purpose the sterling equivalent is to be calculated by reference to the London closing rate of exchange for that day.

Insurance companies

- 16 The references in section 75(1)(a) and (2)(a) of this Act and in paragraph 5(1) of Schedule 22 to this Act to computing the profits or losses of a trade shall not be taken as applying to a computation of income for the purposes of section 305(2) of the Taxes Act (expenses of management of insurance companies).
- 17 Where an insurance company carrying on life assurance business is treated as receiving annual profits or gains under section 74(2) of this Act, paragraph 2 of Schedule 22 to this Act or paragraph 15(3) above in respect of securities held as investments in connection with that business, the profits or gains shall be treated for the purposes of section 310 of the Taxes Act (rate relief: investment income reserved for policy holders) as if they were income from investments held in connection with that business.
- 18 (1) Section 73(2)(a) or (3)(a) of this Act (as the case may be) does not apply if the transferor is an insurance company and the transfer fails to be taken into account in computing its profits or losses for the purposes of section 312 of the Taxes Act (general annuity business or pension business).
(2) Section 73(2)(b) or (3)(b) of this Act (as the case may be) does not apply if subparagraph (1) above would apply if " transferor " read " transferee ".
(3) For the purposes of Schedule 22 to this Act an insurance company is to be treated as not entitled to securities on a day if, were it to transfer them on that day, that transfer would fall to be taken into account in computing its profits or losses for the purposes of section 312 of the Taxes Act.
- 19 (1) Section 73(2)(a) or (3)(a) of this Act (as the case may be) does not apply if the transferor is an insurance company which, if it became entitled to any interest on the securities transferred, would by virtue of section 315(1) of the Taxes Act (foreign life assurance funds) be liable, in respect of the interest, to tax computed by reference to the amount of income received in the United Kingdom.
(2) Section 73(2)(b) or (3)(b) of this Act (as the case may be) does not apply if subparagraph (1) above would apply if " transferor " read " transferee ".

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- (3) For the purposes of Schedule 22 to this Act an insurance company is to be treated as not entitled to securities in the case of which, if it became entitled to any interest on them, it would by virtue of section 315(1) of the Taxes Act be liable, in respect of the interest, to tax computed by reference to the amount of interest received in the United Kingdom.
- (4) Section 73(2)(a) or (3)(a) of this Act (as the case may be) does not apply if the transferor is an insurance company which, if it became entitled to any interest on the securities transferred and applied it for the purposes of its foreign life assurance fund, would by virtue of section 315(2) of the Taxes Act not be liable to tax in respect of the interest.
- (5) Section 73(2)(b) or (3)(b) of this Act (as the case may be) does not apply if sub-paragraph (4) above would apply if "transferor " read " transferee " .
- (6) For the purposes of Schedule 22 to this Act an insurance company is to be treated as not entitled to securities in the case of which, if it became entitled to any interest on them and applied it for the purposes of its foreign life assurance fund, it would by virtue of section 315(2) of the Taxes Act not be liable to tax in respect of the interest.
- 20 (1) In section 316(1) of the Taxes Act (income of overseas life insurance companies) " income " does not include annual profits or gains chargeable to tax by virtue of section 74(2) of this Act or paragraph 2(4) of Schedule 22 to this Act or paragraph 15(3) above,
- (2) Where an overseas life insurance company is entitled to an allowance under section 74(4) of this Act, section 74(5) and (6) shall not apply but sub-paragraphs (3) and (4) below shall apply.
- (3) If the company is treated under section 74(2) of this Act as receiving annual profits or gains in an accounting period, the profits or gains shall be treated as reduced by any amount (the deductible amount) equal to the allowance or aggregate of the allowances, as the case may be, to which the company is entitled under section 74(4) of this Act in relation to an interest period or periods ending in the accounting period.
- (4) Where the deductible amount exceeds the amount of those annual profits or gains, the company may claim to have the excess treated as reducing any annual profits or gains the company is treated as receiving under section 74(2) of this Act in the company's next accounting period or, if there is still an excess, the one after (and so on for future accounting periods).
- (5) Sub-paragraphs (2) to (4) above do not apply to an overseas life insurance company if, by virtue of arrangements specified in an Order in Council under section 497 of the Taxes Act (double taxation relief), no charge to corporation tax under Case III of Schedule D arises under section 316 of that Act in respect of any income of the company.
- (6) In this paragraph " overseas life insurance company " has the meaning given by section 323(2) of the Taxes Act (company with head office outside UK but carrying on life assurance business through UK branch or agency).

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Underwriters

- 21 In paragraphs 22 to 28 below " approved association of underwriters ", " business " and " premiums trust fund " have the meanings given by paragraph 16(1) of Schedule 10 to the Taxes Act.
- 22 An underwriting member of Lloyd's or of an approved association of underwriters shall be treated for the purposes of this Chapter as absolutely entitled as against the trustees to the securities forming part of his premiums trust fund, his special reserve fund (if any) and any other trust fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom his business or any part of it is carried on, to be kept in connection with the business.
- 23 (1) In relation to securities forming part of a premiums trust fund, any reference in Schedule 22 to this Act to a date in the first column in sub-paragraph (3) below shall be read as a reference to that opposite it in the second.
- (2) Where securities are transferred by or to the trustees of a premiums trust fund, this Chapter (other than Schedule 22) shall be read in relation to the trustees as if any reference to a date in the first column in sub-paragraph (3) below were a reference to that opposite it in the second, but without being so read in relation to the transferee or transferor (unless in turn constituting trustees of such a fund).
- (3) The dates are—
- | | |
|--------------------|--------------------|
| 28th February 1982 | 1st January 1982 |
| 27th February 1985 | 31st December 1984 |
| 28th February 1985 | 1st January 1985 |
| 27th February 1986 | 31st December 1985 |
| 28th February 1986 | 1st January 1986 |
- 24 (1) The securities forming part of a premiums trust fund at the beginning of 1st January 1986 or 1st January of any subsequent year shall be treated for the purposes of this Chapter as transferred on 1st January concerned to the trustees of the fund.
- (2) In relation to such a transfer, the settlement day is the day preceding that of the transfer (notwithstanding paragraph 4 above).
- (3) The securities shall be treated as transferred with accrued interest if the trustees are entitled to receive in respect of them interest payable on—
- (a) the day of the transfer, if that is an interest payment day, or
- (b) the next (or first) interest payment day to fall after that day, in any other case, and they shall be treated as transferred without accrued interest if they are not so entitled.
- (4) This paragraph does not apply as regards securities if the day preceding 1st January concerned is an interest payment day in relation to them.
- 25 (1) The securities forming part of a premiums trust fund at the end of 31st December 1986 or 31st December of any subsequent year shall be treated for the purposes of this Chapter as transferred on 31st December concerned by the trustees of the fund.
- (2) In relation to such a transfer, the settlement day is the day of the transfer (notwithstanding paragraph 4 above).

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- (3) The securities shall be treated as transferred with accrued interest if the trustees were entitled to receive in respect of them interest payable on the next (or first) interest payment day to fall after the day of the transfer, and they shall be treated as transferred without accrued interest if they were not so entitled.
- (4) This paragraph does not apply as regards securities if 31st December concerned is an interest payment day in relation to them.
- 26 (1) Where securities are transferred by or to the trustees of a premiums trust fund, this paragraph shall have effect in relation to the trustees, though not in relation to the transferee or transferor (unless in turn constituting trustees of such a fund).
- (2) In this paragraph " straddling period " means a period which would (by virtue of paragraph 3(3) and (4) above and apart from this paragraph) be in relation to the securities an interest period beginning on or before and ending after 31st December 1986 or 31st December of any subsequent year.
- (3) For the purposes of this Chapter a straddling period is not an interest period, but the following shall apply to it—
- (a) the period beginning with the day on which the straddling period begins and ending with 31st December concerned is an interest period, and
 - (b) the period beginning with the day following 31st December concerned and ending with the day with which the straddling period ends is an interest period.
- 27 (1) Paragraph 12 above does not apply where the individual concerned is an underwriting member of Lloyd's or of an approved association of underwriters and the securities concerned form part of a premiums trust fund, a special reserve fund or any other trust fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom the individual's business or any part of it is carried on, to be kept in connection with the business.
- (2) In such a case the deceased's personal representatives shall be treated for the purposes of this Chapter as the transferor or transferee in relation to transfers of securities as to which the deceased was the transferor or transferee (as the case may be) in the interest period in which he died.
- 28 (1) This paragraph applies where an underwriting member of Lloyd's or of an approved association of underwriters is entitled to securities forming part of a premiums trust fund or to different securities forming part of different premiums trust funds.
- (2) Where there is one such fund, he shall be treated for the purposes of Schedule 22 to this Act as holding the securities forming part of it as one person and as holding as another person any other securities to which he is entitled.
- (3) Where there is more than one such fund, he shall be treated for those purposes as holding the securities forming part of different funds as different persons and as holding as yet another person any other securities (not forming part of such a fund) to which he is entitled.
- (4) In relation to the securities forming part of such a fund, four of die references in Schedule 22 to this Act to a person (where they would otherwise be to the member) shall be read as references to the underwriting agent through whom the business to which the fund relates is carried on; and the four references are the reference in paragraph 2(1), the first two in paragraph 6(1) and the first in paragraph 6(2).

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- (5) Where an underwriting member of Lloyd's or of an approved association of underwriters is entitled to securities forming part of a premiums trust fund, and different securities are attributable to his participation in different syndicates, the securities attributable to different syndicates shall be treated for the purposes of this paragraph as forming part of different premiums trust funds.
- 29 In paragraph 7(3)(o) of Schedule 10 to the Taxes Act (special reserve funds) "income" includes annual profits or gains chargeable to tax by virtue of section 74(2) of this Act or paragraph 2(4) of Schedule 22 to this Act or paragraph 15(3) above.

Charities

- 30 (1) Section 73(2)(a) or (3)(a) of this Act (as the case may be) does not apply where, if the transferor became entitled to any interest on the securities transferred and applied it for charitable purposes only, exemption could be granted under section 360(1)(c) of the Taxes Act (charities) in respect of the interest.
- (2) Section 73(2)(b) or (3)(b) of this Act (as the case may be) does not apply if subparagraph (1) above would apply if "transferor" read "transferee".
- (3) For the purposes of Schedule 22 to this Act a person is to be treated as not entitled to securities in the case of which, if he became entitled to any interest on them and applied it for charitable purposes only, exemption could be granted under section 360(1)(c) of the Taxes Act in respect of the interest.
- (4) Section 73(2)(a) or (3)(a) of this Act (as the case may be) does not apply where, if the transferor became entitled to any interest on the securities transferred and applied it for the purposes mentioned in paragraph (d) of section 360(1) of the Taxes Act, exemption could be granted under that paragraph in respect of the interest.
- (5) Section 73(2)(b) or (3)(b) of this Act (as the case may be) does not apply if subparagraph (4) above would apply if "transferor" read "transferee".
- (6) For the purposes of Schedule 22 to this Act a person is to be treated as not entitled to securities in the case of which, if he became entitled to any interest on them and applied it for the purposes mentioned in paragraph (d) of section 360(1) of the Taxes Act, exemption could be granted under that paragraph in respect of the interest.
- 31 (1) If securities held on charitable trusts cease to be subject to charitable trusts the trustees shall be treated for the purposes of this Chapter as transferring the securities (in their capacity as charitable trustees) to themselves (in another capacity) at the time when the securities cease to be so subject.
- (2) The securities shall be treated as transferred with accrued interest if the trustees were entitled to receive in respect of them interest payable on—
- (a) the day the transfer is treated as made, if that is an interest payment day, or
 - (b) the next (or first) interest payment day to fall after that day, in any other case,
- and they shall be treated as transferred without accrued interest if they were not so entitled.

Retirement schemes

- 32 (1) Section 73(2)(a) or (3)(a) of this Act (as the case may be) does not apply where, if the transferor became entitled to any interest on the securities transferred, exemption

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could be allowed under section 21(2) of the Finance Act 1970 (exempt approved retirement benefits schemes) in respect of the interest.

- (2) Section 73(2)(b) or (3)(b) of this Act (as the case may be) does not apply if subparagraph (1) above would apply if " transferor " read " transferee " .
- (3) For the purposes of Schedule 22 to this Act a person is to be treated as not entitled to securities in the case of which, if he became entitled to any interest on them, exemption could be allowed under section 21(2) of the Finance Act 1970 in respect of the interest.

PART III

MISCELLANEOUS

Capital gains

- 33 (1) Where securities are transferred, then—
- (a) if section 73(2)(a) or (3)(a) of this Act (as the case may be) applies, section 31 of the Capital Gains Tax Act 1979 shall be disregarded in computing for capital gains tax purposes the gain accruing on the disposal concerned ;
 - (b) if section 73(2)(b) or (3)(b) of this Act (as the case may be) applies, section 33 of the Capital Gains Tax Act 1979 shall be disregarded in computing for capital gains tax purposes the gain accruing to the transferee if he disposes of the securities,
- but the following provisions of this paragraph shall apply.
- (2) Where the securities are transferred with accrued interest, then—
- (a) if section 73(2)(a) of this Act applies, an amount equal to the accrued amount (determined under that section) shall be excluded from the consideration mentioned in subparagraph (4) below;
 - (b) if section 73(2)(b) of this Act applies, an amount equal to that amount shall be excluded from the sums mentioned in sub-paragraph (5) below.
- (3) Where the securities are transferred without accrued interest, then—
- (a) if section 73(3)(a) of this Act applies, an amount equal to the rebate amount (determined under that section) shall be added to the consideration mentioned in sub-paragraph (4) below;
 - (b) if section 73(3)(b) of this Act applies, an amount equal to that amount shall be added to the sums mentioned in sub-paragraph (5) below.
- (4) The consideration is the consideration, for the disposal of the securities transferred, which is taken into account in the computation for capital gains tax purposes of the gain accruing on the disposal.
- (5) The sums are the sums allowable to the transferee as a deduction from the consideration in the computation for capital gains tax purposes of the gain accruing to him if he disposes of the securities.
- 34 (1) Where—
- (a) there is a disposal of securities for capital gains tax purposes but the disposal is not a transfer for the purposes of this Chapter, and

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- (b) if the disposal were such a transfer one or more of the following paragraphs would apply, namely, paragraphs (a) and (b) of section 73(2) and paragraphs (a) and (b) of section 73(3) of this Act,
the securities shall be treated for the purposes of this paragraph as transferred on the day of the disposal.
- (2) The securities shall be treated for those purposes as transferred with accrued interest if the person making the disposal was entitled to receive in respect of the securities interest payable on—
- (a) the day of the disposal, if that is an interest payment day, or
- (b) the next (or first) interest payment day to fall after that day, in any other case, and they shall be treated for those purposes as transferred without accrued interest if he was not so entitled.
- (3) Where the securities are treated for the purposes of this paragraph as transferred with accrued interest, then—
- (a) if section 73(2)(a) of this Act would apply if the disposal were a transfer, an amount equal to the accrued amount (determined under that section) shall be excluded from the consideration mentioned in sub-paragraph (5) below ;
- (b) if section 73(2)(b) of this Act would apply if the disposal were a transfer, an amount equal to that amount shall be excluded from the sums mentioned in sub-paragraph (6) below.
- (4) Where the securities are treated for the purposes of this paragraph as transferred without accrued interest, then—
- (a) if section 73(3)(a) of this Act would apply if the disposal were a transfer, an amount equal to the rebate amount (determined under that section) shall be added to the consideration mentioned in sub-paragraph (5) below ;
- (b) if section 73(3)(b) of this Act would apply if the disposal were a transfer, an amount equal to that amount shall be added to the sums mentioned in sub-paragraph (6) below.
- (5) The consideration is the consideration for the disposal of the securities which is taken into account in the computation for capital gains tax purposes of the gain accruing on the disposal.
- (6) The sums are the sums allowable, to the person to whom the disposal is made, as a deduction from the consideration in the computation for capital gains tax purposes of the gain accruing to him if he disposes of the securities.
- 35 (1) In this paragraph " conversion " means conversion within the meaning of section 82 of the Capital Gains Tax Act 1979, and " exchange " means an exchange which by virtue of Chapter II of Part IV of that Act (reorganisations etc.) does not involve a disposal.
- (2) Where on a conversion or exchange of securities a person is treated as entitled to a sum under section 73(2)(a) of this Act, an amount equal to the accrued amount (determined under that section) shall, for capital gains tax purposes, be treated as follows—
- (a) to the extent that it does not exceed the amount of any consideration which the person receives (or is deemed to receive) or becomes entitled to receive on the conversion or exchange (other than his new holding), it shall be treated as reducing that consideration, and

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- (b) to the extent that it does exceed that amount, it shall be treated as consideration which the person gives on the conversion or exchange.
- (3) Where on a conversion or exchange of securities a person is treated as entitled to relief under section 73(3)(a) of this Act, an amount equal to the rebate amount (determined under that section) shall, for capital gains tax purposes, be treated as consideration which the person receives on the conversion or exchange.
- 36 Schedule 22 to this Act shall be disregarded in construing sections 31 and 33 of the Capital Gains Tax Act 1979.

Double taxation relief

- 37 (1) This paragraph applies where
- (a) a person is treated under section 74(2) of this Act as receiving annual profits or gains on the day an interest period ends,
 - (b) assuming that, in the chargeable period in which the day falls he were to become entitled to any interest on the securities concerned, he would be liable in respect of the interest to tax chargeable under Case IV or Case V of Schedule D, and
 - (c) he is liable under the law of a territory outside the United Kingdom to tax in respect of interest payable on the securities at the end of the interest period or he would be so liable if he were entitled to that interest.
- (2) Credit shall be allowed against any United Kingdom income tax or corporation tax computed by reference to the profits or gains, and shall be treated as if it were allowed under section 498(3) of the Taxes Act.
- (3) The credit shall be of an amount equal to the relevant proportion of the profits or gains ; and the relevant proportion is the rate of tax to which the person is or would be liable as mentioned in sub-paragraph (1)(c) above.
- 38 (1) Sub-paragraph (2) below applies where—
- (a) a person is entitled to credit against United Kingdom tax under section 498(3) of the Taxes Act or any corresponding provision of arrangements under section 497 of that Act, and
 - (b) the tax is computed by reference to income consisting of interest which falls due on securities at the end of an interest period and which is treated as reduced by virtue of section 74(5) of this Act.
- (2) The amount of the credit shall be a proportion of the amount it would be apart from this sub-paragraph, and the proportion is to be found by applying the formula—
- $$\frac{I-R}{I}$$
- where I is the amount of the interest and R is the amount by which it is treated as reduced.
- (3) Where the person entitled to the credit is an individual, subparagraph (2) above does not apply unless the interest arises from securities to which the person either became or ceased to be entitled during the interest period.
- (4) Where section 516(1) of the Taxes Act applies to any income (deduction where no credit allowable) and, if credit were allowable in respect of it the credit would be

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reduced by virtue of sub-paragraph (2) above, section 516(1) shall have effect in relation to the income as if the reference to any sum paid in respect of tax on it were a reference to the amount which would be the amount of the credit if it were allowable and sub-paragraph (2) above applied.

Transfer of assets abroad

- 39 (1) Sub-paragraph (2) below applies where a person resident or domiciled outside the United Kingdom throughout any chargeable period in which an interest period (or part of it) falls would, at the end of the interest period, have been treated under section 74(2) of this Act as receiving annual profits or gains or annual profits or gains of a greater amount if he had been resident or domiciled in the United Kingdom during a part of each such chargeable period.
- (2) Section 478 of the Taxes Act and section 45 of the Finance Act 1981 (avoidance of tax by transfers abroad) shall have effect as if the amount which the person would be treated as receiving or the additional amount (as the case may be) were income becoming payable to him; and, accordingly, any reference in those enactments to income of (or payable or arising to) such a person shall be read as including a reference to such an amount.
- (3) Sub-paragraph (4) below applies where income of a person resident or domiciled outside the United Kingdom throughout any chargeable period in which an interest period (or part of it) falls consists of interest which falls due at the end of the interest period and which would have been treated under section 74(5) of this Act as reduced by an allowance or an allowance of a greater amount if he had been resident or domiciled in the United Kingdom during a part of each such chargeable period.
- (4) For the purposes of section 478 of the Taxes Act and section 45 of the Finance Act 1981, the interest shall be treated as being reduced by the amount of the allowance or by the additional amount (as the case may be).

Taxes Act: miscellaneous

- 40 (1) No notice served under section 30 of the Taxes Act (prevention of tax avoidance by sales cum dividend etc.) may specify a period which includes any time falling after 27th February 1986.
- (2) Where a person is treated as receiving annual profits or gains by virtue of paragraph 2 of Schedule 22 to this Act, section 30 of the Taxes Act shall not apply, in relation to securities in which he has had a beneficial interest, as regards the period beginning with 28th February 1985 and ending with 27th February 1986.
- 41 Subsections (1) and (2) of section 469 of the Taxes Act (sale and repurchase of securities) shall not apply if the owner's agreement to sell or transfer constitutes a transfer to which section 73(2)(a) of this Act applies.
- 42 Section 474 of the Taxes Act (purchase and sale of securities by persons other than dealers in securities) does not apply to the extent that the interest is payable in respect of securities which are securities for the purposes of this Chapter and which are purchased by the first buyer on or after 28th February 1986.
- 43 (1) This paragraph applies where—
(a) securities are transferred to a person without accrued interest,

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- (b) a contract is made for the sale by that person (the seller) of securities of that kind, and
 - (c) section 477 of the Taxes Act (manufactured dividends) has effect in the case of that contract.
- (2) Where the nominal value of the securities subject to the contract is greater than or equal to that of the securities transferred, the seller shall not be treated as entitled to any sum to which, but for this sub-paragraph, he would be treated as entitled under section 73(3)(b) of this Act on the securities transferred.
- (3) Where the nominal value of the securities subject to the contract is less than that of the securities transferred, any sum (or the aggregate of any sums) to which he is treated as entitled under section 73(3)(b) on the securities transferred shall be reduced by the amount of any part of the sum (or aggregate) attributable to securities (relevant securities) of a nominal value equal to that of the securities subject to the contract.
- (4) In determining which of the securities transferred are relevant securities for the purposes of sub-paragraph (3) above, those transferred to the seller earlier must be chosen before those transferred to him later.
- (5) For the purposes of this Chapter the securities which the seller contracts to sell shall not be treated as transferred by him (though treated as transferred to the person to whom he contracts to sell).

Information

- 44 (1) In order to obtain for the purposes of this Chapter particulars relating to securities, an inspector may by notice in writing require a return under sub-paragraph (2) or (3) below; and such a notice may specify a period beginning on or after 28th February 1985.
- (2) A member of the Stock Exchange, other than a jobber, may be required to make a return giving, in relation to any transactions effected by him in the course of his business in the period specified in the notice, such particulars as may be so specified.
- (3) A person (other than a member of the Stock Exchange) who acts as an agent or broker in the United Kingdom in transactions in securities may be required to make a return giving, in relation to any such transactions effected by him in the period specified in the notice, such particulars as may be so specified.
- (4) No person shall be required under sub-paragraph (2) or (3) above to include in a return particulars of any transaction effected more than three years before the service of the notice requiring him to make the return.
- (5) In order to obtain for the purposes of this Chapter particulars relating to securities, the Board or an inspector may by notice in writing require any person in whose name any securities are registered to state whether or not he is the beneficial owner of those securities and, if he is not the beneficial owner of them or any of them, to furnish the name and address of the person or persons on whose behalf the securities are registered in his name.
- (6) In the Table in section 98 of the Taxes Management Act 1970 (penalties for failure to comply with notices etc.) at the end of the first column there shall be inserted—

“Paragraph 44 of Schedule 23 to the Finance Act 1985”.
